BUDGET COMMITTEE
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SCHIP Reauthorization Uses Budgetary Gimmick To Disguise True Cost of Bill

- The Finance Committee's SCHIP reauthorization bill violates Democratic Pay-Go by $1 billion: $1 billion in spending is not offset over the next five or ten years, as Pay-Go requires. Moreover, the true cost of the SCHIP bill is masked by a budgetary sleight of hand.

- The SCHIP bill includes a budgetary gimmick to mask a ten-year $35-$40 billion Pay-Go violation. If not for the gimmick, the Pay-Go violation would be $35-$40 billion, making it the largest violation of Pay-Go so far this year.

- The bill includes a gimmick to mask the size of future spending in the SCHIP program. Rather than continue the SCHIP allocation increases in FY 2012, the bill drastically reduces the allocation to $3.5 billion. The bill then adds a one-time SCHIP payout of $12.5 billion. Why? By reducing the allocation, the Finance Committee has reduced the amount carried forward in the CBO baseline from $16 billion to $3.5 billion per year. This is absurd for several reasons:

    - First, the $3.5 billion is LOWER than the $5 billion per year assumed under current law. It is absurd to think that an enormous expansion of SCHIP would cost less than the program as it currently operates.

    - Second, when was the last time Congress cut a single program by over $12.5 billion in one year? Clearly Congress isn't going to cut the program by more than $12 billion in one year. Instead, when that day comes, Congress will be forced to deficit spend, since it will cost more than $100 billion to reauthorize the program at the FY 2012 level, since no offsets are provided in this bill to cover the TRUE cost of the expansion.

- Without this gimmick, the $16 billion ($3.5 billion plus a one-time supplementary payment of $12.5 billion) in FY 2012 would be assumed in the out-years, and CBO would have estimated that the cost of the bill would be $35-$40 billion higher over ten years. Then, the Finance Committee would have had to find $35-$40 billion in offsets or otherwise commit the largest violation of Pay-Go since it was put in place in May.

- This bill is a perfect example of why Pay-Go does not work. It simply encourages budgetary gimmickry and smoke-and-mirrors tactics to mask the true cost of legislation that expands big government spending policies.

➢ The bill violates the Budget Act, with several Points of Order against it:

- Pay-Go - Point of Order 201 (a) - The bill increases the on-budget deficit by $1 billion over the FY 2007-12 period and the FY 2007-2017 period.
- Reserve Fund – Point of Order 302(f) - The Budget Resolution included a deficit neutral reserve fund for SCHIP that required the bill not increase the on-budget deficit over the FY 2007-2012 period or the FY 2007-17 period. This bill does increase the deficit and as a result, the reserve fund cannot be released and the Finance Committee's allocation cannot be adjusted. A 302 (f) Budget Act Point of Order will lie against the bill for violating the Finance Committee's spending allocation.

THE SCHIP BILL CALLS FOR THE FOLLOWING FUNDING LEVELS:

2007	$5.000 billion
2008	$9.125 billion
2009	$10.675 billion
2010	$11.850 billion
2011	$13.750 billion
2012	$3.500 billion+ $12.5 billion
2013	**$3.500 billion**
2014	**$3.500 billion**
2015	**$3.500 billion**
2016	**$3.500 billion**
2017	**$3.500 billion**